

Message Text

CONFIDENTIAL

PAGE 01 PARIS 12929 01 OF 02 211021Z
ACTION EB-04

INFO OCT-01 ISO-00 SS-04 EUR-03 NSC-04 TRSE-00 CEA-01
FRB-03 INR-01 CIAE-00 /021 W
-----124094 211110Z /14
R 202009Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0401

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 12929

LIMDIS GREENBACK

E. O. 11652: GDS
TAGS: EFIN, FR
SUBJECT: INFORMAL MOF VIEWS ON IMF SUBSTITUTION
ACCOUNT AND EC "SNAKE"

1. ACCORDING TO SENIOR MOF SOURCES, RECENT DISCUSSIONS IN EUROPE OF A POSSIBLE IMF SUBSTITUTION ACCOUNT ORIGINATED WITH THE IMF. THIS IDEA WAS DISCUSSED IN A VERY GENERAL WAY BY MR. WITTEVEEN DURING HIS RECENT TRIP TO EUROPE. HE APPARENTLY ALSO RELATED THIS IDEA WITH THE POSSIBILITY OF US GOLD SALES. MOF OFFICIALS WONDER WHETHER SUCH USG GOLD SALES WOULD BE TO THE MARKET IN ORDER TO BUY D-MARK OR OTHER CURRENCIES FOR INTERVENTION PURPOSES OR SOLD THROUGH THE IMF AND SOMEHOW RELATED TO A SUBSTITUTION ACCOUNT. MOF SOURCES SEEMED TO BE FISHING FOR INFORMATION. FINATT ASSURED THEM THAT HE HAD NO INFORMATION OTHER THAN THAT IN FRENCH AND GERMAN PRESS.

2. MOF OFFICIALS INDICATED A MIXED REACTION TO THE PROPOSAL OF AN IMF SUBSTITUTION ACCOUNT. FIRST OF ALL, IT RAISES A QUESTION ABOUT THE INTEREST RATE ON SDR'S. FOR EXAMPLE, IF THE SDR WERE NOT REASONABLY ATTRACTIVE AS AN ASSET, THE SUBSTITUTION ACCOUNT COULD BE MERELY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 12929 01 OF 02 211021Z

A MECHANISM BY WHICH THE BUNDESBANK OR POSSIBLY THE BANK OF JAPAN ALONE COULD RID THEMSELVES TEMPORARILY OF UNWANTED DOLLARS AND REVERSE THE TRANSACTION WHEN THEY WERE WILLING FOR WHATEVER REASON TO HOLD MORE DOLLARS. MOF OFFICIALS INDICATED THEY WOULD NOT FIND THIS EITHER A FAIR OR VERY ATTRACTIVE PROPOSITION. NOR WOULD THEY FIND THE IDEA OF A SUBSTITUTION ACCOUNT

WHICH WOULD ACCEPT DOLLARS MORE OR LESS INDEFINITELY
VERY ATTRACTIVE, EVEN IF THE INTEREST RATE ON SDR
WERE RAISED SOMEWHAT. WITHOUT GOING INTO DETAILS,
THEY INDICATED THAT A SUBSTITUTION ACCOUNT
WHICH INVOLVES CLEAR TERMS AND CONDITIONS FOR
SETTLEMENT WOULD BE AN IDEA THAT THEY MIGHT
SERIOUSLY CONSIDER. ACCORDING TO THESE SOURCES,
THE UK MONETARY OFFICIALS FAVOR THE IDEA OF A SUB-
STITUTION ACCOUNT IF THE YIELD ON SDR'S IS INCREASED.
MOF OFFICIALS SUSPECT SELFISH MOTIVES RELATED TO STERLING
BALANCES IN THE UK'S SUPPORT OF THIS PARTICULAR IDEA.
IN THEIR VIEW, THE FRG ALSO WISHES TO PURSUE THIS
IDEA WHILE THE OTHER EC MEMBERS, LIKE FRANCE, HAVE
MIXED FEELINGS. IN ANY EVENT, NO STAFF WORK IS
UNDERWAY

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PARIS 12929 02 OF 02 211022Z
ACTION EB-04

INFO OCT-01 ISO-00 SS-04 EUR-03 NSC-04 TRSE-00 CEA-01
FRB-03 INR-01 CIAE-00 /021 W
-----124116 211109Z /14

R 202009Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 0402

C O N F I D E N T I A L SECTION 02 OF 02 PARIS 12929

LIMDIS/GREENBACK

AT THE MOF OR THE BOF; AND NO EC POSITION AS SUCH
EXISTS. IT SEEMS MOF SENIOR OFFICIALS ARE WAITING
FOR THE DISCUSSIONS AT THE IMF INTERIM COMMITTEE
MEETING IN MEXICO CITY BEFORE DECIDING HOW THEY
WANT TO APPROACH THIS MATTER AND WHAT IF ANY STUDIES
THEY NEED TO UNDERTAKE.

3. THERE HAVE BEEN DISCUSSIONS AT THE HEAD OF STATE
LEVEL ABOUT SOME KIND OF "ZONE OF STABILITY" FOR EC
CURRENCIES. THE UK REPRESENTATIVES HAVE ARGUED THAT
EVEN A GENERAL "ZONE OF STABILITY" DOES NOT REALLY
DEAL WITH THE PROBLEM SINCE IT IS NOT A PROBLEM OF

INTRA-EC CURRENCIES BUT A PROBLEM BETWEEN THE DOLLAR
AND PARTICULAR EC CURRENCIES. THE FRENCH TEND TO
AGREE, NOTING THAT ARRANGEMENTS ALREADY EXIST FOR DEALING
WITH INTRA-EC CURRENCY PROBLEMS SUCH AS THE
SITUATION IN ITALY OR THE SITUATION IN FRANCE BEFORE
THE ELECTIONS OR EVEN THE STRUCTURAL PROBLEM IN THE UK.
IF THIS IS THE KIND OF PROBLEM TO BE ADDRESSED, THEN
EXISTING ARRANGEMENTS COULD EASILY BE EXPANDED
TO TAKE CARE OF IT. DURING THESE DISCUSSIONS, THE FRG
TOOK THE VIEW THAT THE EC SNAKE WILL REMAIN IN ITS
PRESENT FORM REGARDLESS OF ANY MORE GENERAL ARRANGEMENT
FOR A "ZONE OF STABILITY". ACCORDING TO THESE SOURCES,
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARIS 12929 02 OF 02 211022Z

THE GOI IS SIMPLY NOT IN A POSITION TO PARTICIPATE IN
ANY SCHEME NO MATTER HOW GENERAL. THERE IS A CLEAR
DESIRE BY THE GOF TO WORK WITH THE FRG AT THE
POLITICAL LEVEL, BUT NO INSTRUCTIONS HAVE BEEN RECEIVED
FROM THE POLITICAL LEVEL; AND AS A RESULT THERE HAVE
BEEN ONLY VERY GENERAL AND VAGUE TECHNICAL DISCUSSIONS
ABOUT A POSSIBLE "ZONE OF STABILITY". IN SHORT, NOT
MUCH IS REALLY GOING ON; AND FINATT HAS THE STRONG
IMPRESSION THAT THE MOF WOULD LIKE THE GOF TO CONTINUE
TO SAY ALL OF THE RIGHT THINGS ABOUT A "ZONE OF
STABILITY" WHILE DOING VERY LITTLE TO IMPLEMENT IT.
MOF OFFICIALS ARE TOTALLY OPPOSED TO GOF REENTRY INTO
THE EXISTING EC "SNAKE" ARRANGEMENT, BUT AS EVENTS
SHOWED IN 1975 THEIR VIEWS ARE NOT ALWAYS THE LAST
WORD IN SUCH MATTERS.
GAMMON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOLD, SALES, REPORTS, FINANCIAL STABILITY
Control Number: n/a
Copy: SINGLE
Draft Date: 20 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS12929
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780170-1071
Format: TEL
From: PARIS
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780435/aaaabdeb.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ff5f79aa-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2902801
Secure: OPEN
Status: NATIVE
Subject: INFORMAL MOF VIEWS ON IMF SUBSTITUTION ACCOUNT AND EC \"SNAKE\"
TAGS: EFIN, FR, IMF
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/ff5f79aa-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014